

# interim

report & financial statements 28 weeks ended 13th August 2022

Chelmsford Star -  
the Co-operative

at the heart of our community

*Since 1867*



your local **independent** co-operative

# Directors' Interim Report to Members

## 28 Weeks Ended 13th August 2022

### To the Members

Your Board of Directors has the responsibility to report to you on your Society's performance for the interim period, covering 28 weeks to 13th August 2022.

### Economic Background

In our last report to members covering the year ending 29th January 2022, we referred to a new set of challenges for the Society, including changes in customer shopping habits coming out of the pandemic, a potential cost-of-living crisis, and increased wage and fuel pressures.

What was not expected was the extent of these challenges. The war in Ukraine began in February 2022, seeing a consequent rise in the price of animal feed, fertiliser, wheat and vegetable oils, accelerating the price increases in food. Fresh food inflation in August 2022 strongly accelerated to 10.5%, the highest level since September 2008.

In addition to raw commodity cost pressures, energy costs have soared within the first 28 weeks of the year, particularly affecting transport, fuel and electricity, but also having a knock on effect to general costs.

### Financial

Gross takings for the period under review totalled £58,071k, reflecting "year on year" growth of 8.1%. It should, however, be noted that the last 'normal' year is now three years behind us. Last year's figures were impacted by the pandemic and particularly, the lockdowns in non-essential retail and the travel industry.

Gross profit for the period under review amounted to £13,406k, representing "year on year" growth of 5.8%.

Operating costs within the period totalled £12,498k, a £1,095k or a 9.6% increase on last year. In the main, the cost areas which have increased significantly in the period are unsurprisingly energy costs, occupancy costs and distribution costs, which account for £249k, £404k and £117k respectively. Occupancy costs have increased "year on year", given that in 2021 the Society benefitted from financial measures to ease the pressure of the pandemic, such as business rates relief. Whilst all the Society's trading businesses are to an extent impacted by these increased costs, it is most notable in the Food business.

Given the cost pressures, it is unsurprising that trading profit is both below budget and last year, totalling £114k, compared to £459k last year.

After meeting the costs of all distributions, the Society has recorded a retained loss of £163k within the period.

### Food

Gross takings, excluding fuel, bill payments and lottery services, amounted to £38,593k, which represents a "year on year" decline of 3.4%. This is against a backdrop of a volume decline of 8.9%.

The Society trades one petrol filling station, which during the period under review has seen a "year on year" increase in gross takings of 40.5%, despite fuel litreage only being 3.3% greater, clearly demonstrating the increased fuel cost.

At the end of May, Brendan Smith joined the Society's Executive team as Chief Operating Officer, adding 30 years of co-operative and retail experience to the team. The Chief Operating Officer has initially taken responsibility for the Food division but ultimately will

take responsibility for all trading operations, which will be phased over time.

The Snappy Shopper trial continues and is now being extended across a further 27 stores. In addition, the Society has sourced a local delivery partner to work with. The increased scale and partnership are expected to dilute the cost to the Society to provide the service.

After a short trial, the Society has rolled out a food redistribution service, partnering with Too Good to Go. The initiative sees customers pre-order 'magic bags' of food that is close to the use by date. The initiative reduces the volume of food being sent to landfill, supports families in providing a low-cost meal option and reduces emissions created during the disposal process. The Society sees this as an important initiative to support families, particularly during a cost-of-living crisis.

The division has struggled to attract and retain Food Store Managers, with many individuals following the pandemic, with many individuals reconsidering whether a career in retail is right for them, following the pandemic. The Society has undergone a recruitment drive, which at the time of writing has managed to fill the majority of vacancies.

The Society continues to explore ways in which to reduce energy costs. Had the Society not reduced electricity consumption over the last decade, the escalation of energy costs would have been substantially worse.

Given the reduction in gross takings, your Society's Food business, including fuel, has recorded trading profitability of £724k, heavily impacted by the increased cost pressures referred to earlier.

### Department Stores

Gross takings for the period under review totalled £3,951k, a "year on year" increase of 87.8%, however, it should be noted that the division was closed due to national lockdowns for ten weeks last year. Gross takings are 16.2% down on the pre-pandemic period.

As previously reported, the pool of concession partners continues to decline, presenting the Society with an ongoing challenge to provide a credible and profitable range.

The Society's transactional website has been delayed, but plans are still underway to trade online with a limited offering of popular ranges.

The Society's strategy remains to mitigate the trading losses generated by the Department Store business. In the period under review, trading losses totalled £73k, the lowest level for several years.

### Travel

Our Travel business' gross takings totalled £2,956k, which represents "year on year" growth of 1,392%, however, it should be noted that the last few years have been particularly tough for the Travel industry. Despite the "year on year" growth, gross takings are almost 50% lower than the pre-pandemic level.

During the pandemic, there was an industry shift of individuals leaving the industry. This has resulted in a smaller pool of job seekers within the industry and sees recruitment as a challenge.

In the period under review, trading profit totalled £38k, unsurprisingly, significantly better than the last two years.

### Funerals

Our Funerals business has grown gross takings in the period by 10.2% "year on year".

The Society's newest branch in Basildon opened earlier in the year, extending the geographical area in which the Society can provide funeral services.

As of 29th July 2022, the Funeral Plan industry became regulated. The Society transferred all consenting clients to Ecclesiastical, whilst continuing to provide the services previously agreed to undertake.

Pleasingly, during the period our Funeral business received two awards: Best Funeral Provider – Essex in the Business Excellence Awards and Excellent Customer Service in the Countywide Business Awards.

Trading profit in the period totalled £147k, a reduction on last year, reflective of the additional costs of the new branch in its infancy.

### Investment Property

Our investment portfolio in the main consists of flats above our shops. The Society does have a commercial property at Duke Street, Chelmsford, which is occupied.

During the period under review, gross income totalled £104k ahead of last year.

### Membership

Members are rewarded annually with a share of the profit payment. In May 2022, the conversion rate of £4.00 per 1,000 points was approved by members at the Annual General Meeting. Members also benefit from weekly coffee mornings, discounted member trips, opportunities to attend exclusive events and participate to win vouchers monthly.

The Society is in the final test stages of the members' portal, which will provide members with greater visibility of their account and provide regular exclusive discounts.

Our members are part owners of the Society and can have the opportunity to have a say in how the Society is run. This can be demonstrated by attending members' meetings or standing for election.

For a full report on membership activities, please refer to the latest edition of Starlight, our members' magazine.

### Chelmsford Star Community Fund

In 2021, the Society established the Chelmsford Star Community Fund. During the period under review, £5,896 has been granted to Support for Sight, Crossing Boundaries, Writtle Green Pre-School, Lighthouse Furniture Project and Wyvern Community Transport.

The Society continues to support community groups for varying causes across our trading estate.

### Prospects for the Remainder of the Year

The challenges of the first half will continue, and potentially cost pressures will continue to escalate into the second half of the year.

The Board is closely monitoring the performance and plans for the second half of the year, whilst being realistic about the expectations for year-end. The Society is not alone in the challenges it is facing, however that does not make addressing and resolving these any easier.

Your Board remains confident in the management team during these difficult times.

### The Board of Directors

# Statement of Trading Activities

28 Weeks Ended 13th August 2022 compared with 28 weeks to 14th August 2021

## SUMMARY CONSOLIDATED REVENUE ACCOUNT

	Note	28 weeks 13th August 2022 £000	Unaudited 28 weeks 14th August 2021 £000
<b>Gross Takings</b>		<b>58 071</b>	53 740
less Agency and Concession Turnover excluded	<b>1(a)</b>	<b>6 826</b>	5 774
<b>Sales</b>		<b>51 245</b>	47 966
less Value Added Tax		<b>(5 100)</b>	(4 893)
<b>Turnover</b>	<b>1(b)</b>	<b>46 145</b>	43 073
Cost of Sales		<b>(32 739)</b>	(30 397)
<b>Gross Surplus</b>		<b>13 406</b>	12 676
Trading Expenses excluding Depreciation		<b>(12 498)</b>	(11 403)
<b>Trading Surplus before Depreciation</b>		<b>908</b>	1 273
Depreciation		<b>(794)</b>	(814)
<b>Trading Surplus</b>		<b>114</b>	459
Investment Income		-	-
Exceptional Income		<b>121</b>	231
<b>Surplus before Interest</b>		<b>235</b>	690
Net Interest Payable		<b>(111)</b>	(115)
Other Finance costs		<b>(38)</b>	(33)
<b>Surplus before Distributions</b>		<b>86</b>	542

### Note 1(a) Gross Takings Adjustment

The Group has applied FRS 102 in reporting its Turnover.

The effect is to exclude the Takings (including VAT) disclosed in Note 1(a) from Turnover.

		28 weeks 13th August 2022 £000	Unaudited 28 weeks 14th August 2021 £000
Bill Payments – Food		<b>5 642</b>	5 265
Concession Takings including VAT and bill payments – Non Food		<b>1 020</b>	529
Agency turnover less commission – Travel		<b>164</b>	(20)
Amount excluded from 'Turnover' per FRS 102		<b>6 826</b>	5 774
<b>Note 1(b) Net Sales</b>	<b>£000</b>		<b>£000</b>
Food	<b>45 110</b>		45 559
less Bill Payments	<b>5 642</b>		5 264
<b>Food Stores</b>		<b>39 468</b>	40 295
Department Stores	<b>3 360</b>		1 779
less Concession Sales	<b>843</b>		446
<b>Department Stores</b>		<b>2 517</b>	1 333
<b>Funeral Services</b>		<b>1 173</b>	1 064
Travel	<b>2 931</b>		197
less Sales as Agent	<b>138</b>		(21)
<b>Travel</b>		<b>2 793</b>	218
<b>Property - Rental Income</b>		<b>194</b>	163
		<b>46 145</b>	43 073

# Statement of Trading Activities

28 Weeks Ended 13th August 2022 compared with 28 weeks to 14th August 2021

## CONSOLIDATED NET ASSETS

	13th August 2022 £000	Unaudited 14th August 2021 £000
Fixed Assets	16 940	17 687
Current Assets	9 511	10 926
Current Liabilities	(10 383)	(10 293)
Long Term Liabilities – Loans	(1 228)	(1 764)
Net Pension Liability	337	(2 920)
Provisions – Liabilities and Charges	(79)	23
NET ASSETS	15 098	13 659

## CONSOLIDATED MEMBERS' FUNDS

Share Capital	8 673	9 181
Reserves	6 425	4 478
MEMBERS' FUNDS	15 098	13 659

## CONSOLIDATED CASH FLOW

Net Cash Flow from Operating Activities	1 755	2 817
Servicing of Finance and Returns on Investment	(263)	(270)
Taxation	-	-
Capital Expenditure, Disposals & Financial Investment	(403)	(278)
<b>Net Cash inflow before Management of Liquid Resources and Financing</b>	<b>1 089</b>	<b>2 269</b>
Management of Liquid Resources	(1)	(1)
Financing	(1 567)	(694)
<b>(Decrease)/Increase in Cash</b>	<b>(479)</b>	<b>1 574</b>

## CONSOLIDATED NET DEBT

Cash at Bank and in Hand	3 008	4 420
Short Term Deposits	27	24
	3 035	4 444
Bank Overdraft	-	-
Loans	(1 570)	(2 297)
Finance Leases	(555)	(366)
	910	1 781

The Statement of Trading Activity has been prepared using the same Accounting Policies as were utilised to produce the Society's published Financial Statements as at 29 January 2022.

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*Since 1867*

### Registered Office

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[www.chelmsfordstar.coop](http://www.chelmsfordstar.coop)

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